

SENATE BILL 912  
By Kyle

AN ACT to amend Tennessee Code Annotated, Title 4 and Title 67, relative to companies that make charitable contributions to certain entities.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 67, Chapter 20, Part 20, is amended by adding the following as a new section:

67-20-2019.

(a) The general assembly finds that:

(1) There exists in the counties and municipalities conditions of blight evidenced by extensive deterioration of public and private facilities, abandonment of sound structures, and high unemployment which conditions impede the conservation and development of healthy, safe, and economically viable communities.

(2) Deterioration of housing and industrial, commercial, and public facilities contributes to the decline of neighborhoods and communities and leads to the loss of their historic character and the sense of community which this inspires; reduces the value of property comprising the tax base of local communities; discourages private investment; and requires a disproportionate



expenditure of public funds for the social services, unemployment benefits, and police protection required to combat the social and economic problems found in slum communities.

(3) In order to ultimately restore social and economic viability to enterprise zones, it is necessary to renovate or construct new housing, water and sewer infrastructure, and transportation facilities and to specifically provide mechanisms to attract and encourage private economic activity.

(4) The various local governments and other redevelopment organizations now undertaking physical revitalization projects are limited by tightly constrained budgets and inadequate resources.

(5) In order to significantly improve revitalization efforts by local governments and community development organizations and to retain as much of the historic character of our communities as possible, it is necessary to provide additional resources, and the participation of private enterprise in revitalization efforts is an effective means for accomplishing that goal.

(b) It is the policy of this state to encourage the participation of private corporations in revitalization projects undertaken by public redevelopment organizations. The purpose of this section is to provide an incentive for such participation by granting partial state excise tax credits to corporations that contribute resources to public redevelopment organizations for the revitalization of enterprise zones for the benefit of low-income and moderate-income persons or to preserve existing historically significant properties within enterprise zones to the greatest extent possible. The general assembly thus declares this is a public purpose for which public money may be borrowed, expended, loaned, and granted.

(c)(1) Beginning January, 2004, there shall be allowed a credit of fifty percent (50%) of a community contribution against any tax due for a taxable year under this part.



(2) No business firm shall receive more than two hundred thousand dollars (\$200,000) in annual tax credits for all approved community contributions made in any one (1) year.

(3) The total amount of tax credit which may be granted for all programs approved under this section is five million dollars (\$5,000,000) annually.

(4) All proposals for the granting of the tax credit shall require the prior approval of this department.

(5) If the credit granted pursuant to this section is not fully used in any one (1) year because of insufficient tax liability on the part of the business firm, the unused amount may be carried forward for a period not to exceed five (5) years. The carryover credit may be used in a subsequent year when the tax imposed by this chapter for such year exceeds the credit for such year under this section after applying the other credits and unused credit carryovers.

(6) If permitted, a taxpayer who files a consolidated return as a member of an affiliated group may be allowed the credit on a consolidated return basis.

(d)(1) All community contributions by a business firm shall be in the form specified by the commissioner of revenue by rule.

(2) All community contributions must be reserved exclusively for use in "projects" as defined in subsection (g).

(3) The project must be undertaken by an "eligible sponsor," as defined in subsection (g). In no event shall a contributing business firm have a financial interest in the eligible sponsor.

(4) The project shall be located in an area designated as an enterprise zone. Any project designed to construct or rehabilitate low-income housing is exempt from the area requirement of this subdivision.



(e)(1) Any eligible sponsor wishing to participate in this program must submit a proposal to the department of economic and community development which sets forth the sponsor, the project, the area in which the project is located, and such supporting information as may be prescribed by rule. The proposal shall also contain a resolution from the local governmental unit in which it is located certifying that the project is consistent with local plans and regulations.

(2) Any business wishing to participate in this program must submit an application for tax credit to the department of economic and community development, which application sets forth the sponsor; the project; and the type, value, and purpose of the contribution. The sponsor shall verify the terms of the application and indicate its willingness to receive the contribution, which verification indicates its willingness to receive the contribution, which verification shall be in writing and shall accompany the application for tax credit.

(3) The business firm must submit a separate application for tax credit for each individual contribution which it proposes to contribute to each individual project.

(f)(1) The department of economic and community development is authorized to promulgate all rules necessary to administer this section, including rules for the approval or disapproval of proposals by business firms.

(2) The decision of the department of economic and community development shall be in writing, and, if approved, the proposal shall state the maximum credit allowable to the business firm. A copy of the decision shall be transmitted to the executive director of the department of revenue, who shall apply such credit to the tax liability of the business firm.

(3) The department of economic and community development shall periodically monitor all projects in a manner consistent with available resources



to ensure that resources are utilized in accordance with this section; however, each project shall be reviewed no less often than once every two (2) years.

(4) The commissioner of revenue shall promulgate any rules necessary to ensure the orderly implementation and administration of this section in accordance with the provisions of title 4, chapter 5.

(g) For the purposes of this section,

(1) "Eligible sponsor" means:

(A) A community action program;

(B) A community-based development organization, operating pursuant to title 13, chapter 14, part 2;

(C) A neighborhood housing services corporation;

(D) A local housing authority, created pursuant to title 13;

(E) The Tennessee industrial development authority;

(F) An historic preservation district agency or organization;

(G) A private industry council;

(H) An enterprise zone development corporation created pursuant to title 13, chapter 28; or

(I) Such other agency as the department of economic and community development may, from time to time, designate, by rule.

(2) "Project" means any activity undertaken by an eligible sponsor, which is designed to construct, improve, or substantially rehabilitate housing that is affordable to low-income or very low-income households; designed to provide commercial, industrial, or public resources and facilities; or designed to improve entrepreneurial and job-development opportunities for low-income persons. This subdivision does not preclude projects that propose to construct or rehabilitate low-income or very low-income housing on scattered sites. With respect to



housing, contributions may be used to pay the following eligible project-related activities:

(A) Project development, impact, and management fees for low-income or very low-income housing projects;

(B) Down payment and closing costs for eligible persons, as defined by rule;

(C) Administrative costs, including housing counseling and marketing fees, not to exceed ten percent (10%) of the community contribution, directly related to low-income or very low-income projects; and

(D) Removal of liens recorded against residential property by municipal, county, or special-district local governments when satisfaction of the lien is a necessary precedent to the transfer of the property to an eligible person, for the purpose of promoting home ownership.

Contributions for lien removal must be received from a nonrelated third party.

(h) The provisions of this section, except subdivision (3)(e), shall expire and be void on June 30, 2005.

SECTION 2. If any provision of this act or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the act which can be given effect without the invalid provision or application, and to that end the provisions of this act are declared to be severable.

SECTION 3. This act shall take effect July 1, 2003, the public welfare requiring it.